

Message Text

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INFO AMCONSUL RIO DE JANEIRO
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E.O. 11652: N/A
TAGS: BEXP, EFIN, BR
SUBJECT: TRADE OUTLOOK FOR 1977

REF: STATE 301584

1. THE EMBASSY HAS NOT BEEN ABLE TO ASSESS FULLY THE IMPACT ON THE TRADE ACCOUNT OF THE PROPOSED CUTS IN PUBLIC SPENDING FOR 1977 BECAUSE OF THE LACK OF MORE DETAILED INFORMATION THAN HAS BEEN PUBLISHED SO FAR BY THE GOB. OUR PRELIMINARY AND ROUGH ESTIMATES FOR TOTAL IMPORTS IN 1977, HOWEVER, INDICATE A SMALL INCREASE IN THE FOLLAR VALUE OVER 1976. ASSUMING A GROWTH RATE OF ABOUT 4.0 PERCENT NEXT YEAR, WE PROJECT BRAZIL'S TOTAL IMPORTS GOING FROM \$12.2 BILLION IN 1976 TO \$12.5 BILLION IN 1977. WE ALSO ANTICIPATE A FURTHER DECLINE IN THE U.S. SHARE OF TOTAL IMPORTS AS A RESULT OF (A) CONTINUED EFFORTS ON THE PART OF BRAZIL TO DIVERSIFY ITS FOREIGN MARKETS; (B) THE UTILIZATION OF THE CREDIT FACILITIES NEGOTIATED DURING PRESIDENT GEISEL'S VISIT TO EUROPE AND JAPAN THIS YEAR, WHICH WILL TEND TO HAVE SOME MODEST TRADE DIVERSION
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EFFECT; AND (C) AS THE OIL BILL ABSORBS A GREATER PRTION OF TOTAL IMPORTS, THE U.S. SHARE IS IPSO FACTO REDUCED.

2. WE ALSO PROJECT CONTINUED MODERATE GROWTH IN EXPORTS, PRELIMINARILY TO THE RANGE OF

\$11.0-11.6 BILLION, SUFFICIENT TO FURTHER MODESTLY
REDUCE THE TRADE DEFICIT. ELEMENTS OF
STRENGTH SHOULD BE COFFEE, SOYBEANS, AND
IRON ORE; MANUFACTURED PRODUCTS WILL CONTINUE
TO SHOW GROWTH.

3. WITH RESPECT TO TOTAL AMORTIZATION PAY-
MENTS IN 1977, WE BELIEVE THAT THE \$4.0 BILLION
FIGURE CITED IN THE BANCO LAR "TRENDS AND
PERSPECTIVES" TO BE ON THE HIGH SIDE. OUR
OWN FORECASTS SHOW THAT BRAZIL'S MEDIUM AND
LONG-TERM FOREIGN DEBT IS EXPECTED TO INCREASE
BY \$5.5 BILLION IN 1976. SINCE BRAZIL HAS A
MINIMUM 5-YEAR REPAYMENT PERIOD ON ALL
MEDIUM AND LONG-TERM LOANS (ALL OF WHICH
HAVE A GRACE PERIOD OF AT LEAST SIX
MONTHS) AND SINCE A GOOD PORTION OF THESE
CREDITS ARE OVER 5 YEARS, WE CALCULATE THAT
THE INCREASE IN THE AMORTIZATION OF
PRINCIPAL ON MEDIUM AND LONG-TERM DEBT NEXT
YEAR TO BE WELL UNDER THE \$1.3 BILLION
IMPLIED BY BANCO LAR. WE ESTIMATE THAT
TOTAL AMORTIZATION IN 1977 FOR MEDIUM
AND LONG-TERM DEBT TO BE CLOSER TO \$3.5
BILLION. AT THIS POINT, HOWEVER, WE
DO NOT BELIEVE IT TO BE PRUDENT TO PUBLISH
AN EXACT FIGURE FOR 1977 AMORTIZATION SINCE
THE LATEST AVAILABLE FOREIGN DEBT STATISTICS
ARE FOR MARCH 1976.

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